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A New Monthly Look at Dream Houses Built by the People Who Build Businesses: Page 62

MARKETING TO THE NEW AMERICA

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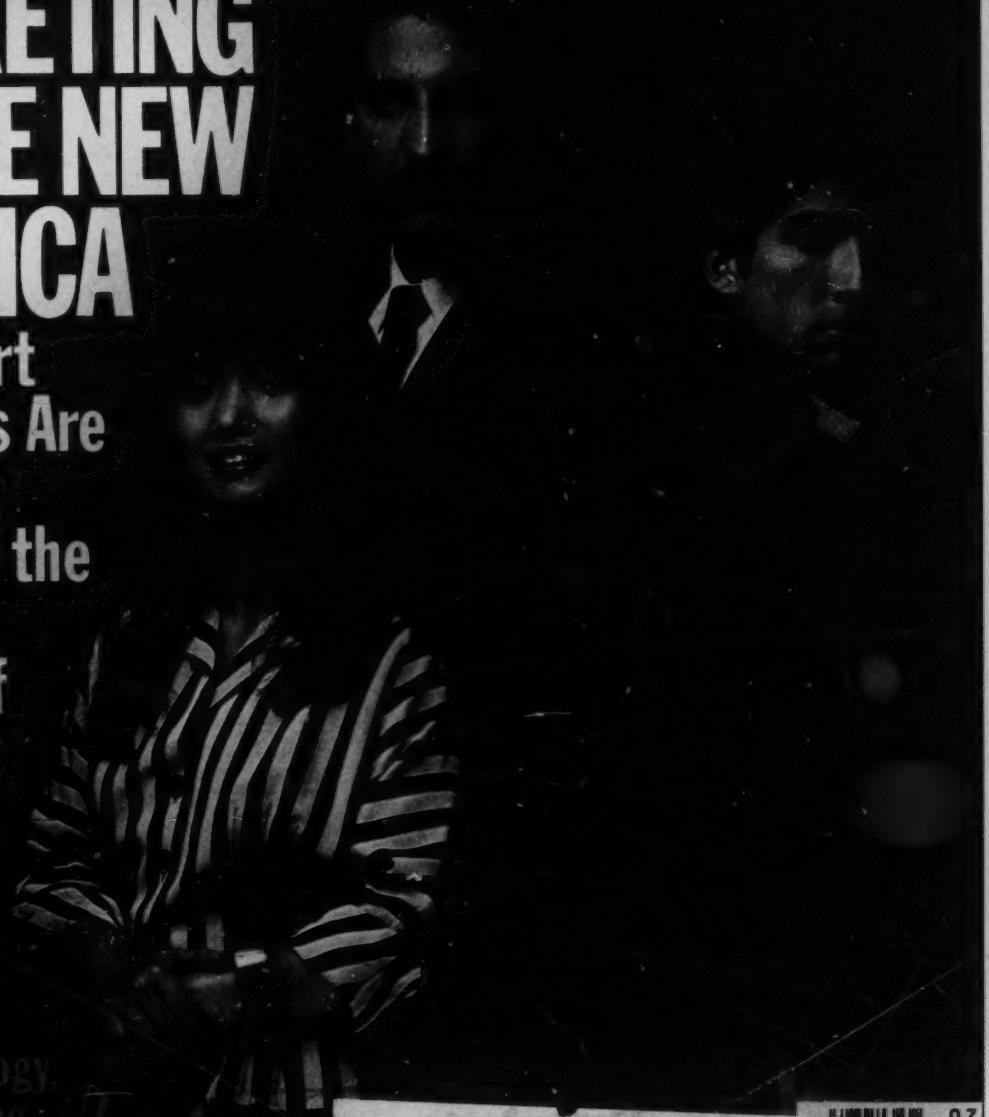

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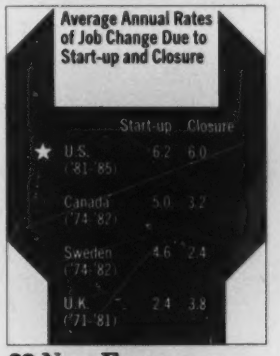
Average Annual Rates of Job Change Due to Start-up and Closure
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Closure
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YANKEE DOODLE DANDY

Entrepreneurship and innovation make our business culture worth celebrating. But they pose challenges, too

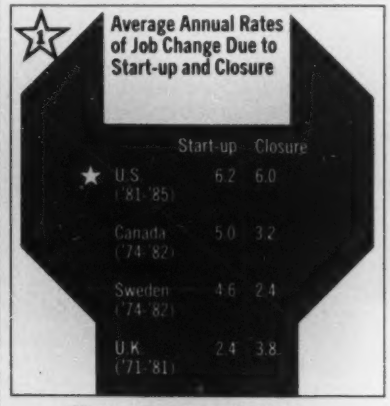
BY DAVID L. BIRCH

Who can doubt that on this Fourth of July, as on most in recent years, we'll again see the Age of the Entrepreneur turned into a symbol. Politicians in particular are fond of this. The spirit of enterprise will be said to reflect everything from freedom, courage, and the work ethic to most of the attributes in the Boy Scout Law—to represent, in short, America at its unique and rambunctious best.

But when all the flag-waving and fireworks are over, a question remains: are we really so special? Is our business culture different? Or are all nations gravitating toward the same way of economic life, the same patterns of creation and demise for companies and jobs?

This time, it turns out, the politicians are right. The facts show that we *are* different. Compare U.S. business patterns with the histories of millions of individual businesses in Canada, the United Kingdom, and Sweden over the past 10 or 15 years. The United States is yeastier. There is more bubbling here—more activity, more people starting companies, more young businesses growing.

Americans are two and a half times as likely to create jobs by starting a company as are our allies in the United Kingdom (see figure 1). We are also far more likely to wipe out jobs by closing companies down. The lives of our businesses are far more turbulent.

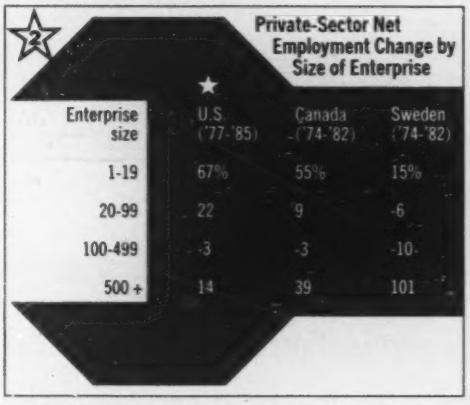


CHARTS: NIGEL HOLMES

Whether for good or ill, business here is more turbulent than elsewhere.

Our new jobs are more likely to come from innovative young companies that grow. Figure 2 reveals the stark contrast between the United States and Sweden. We depend heavily on smaller businesses for job creation, and Sweden relies almost solely on larger ones. Canada's experience lies in between.

Turbulence itself is not, of course, desirable. We pay a heavy price for ours—plants close and people are forced to move their homes and change their employers. What do we get for it? Jobs. Between 1974 and 1984, for example, Americans created 18 million jobs while, during the same period, the Common Market nations lost 3 million. In Europe, as here, this was a time when baby boomers—some 4 million of them—flooded the labor market, with staggering unemployment the result.



In America, and to a lesser extent in Canada, it's the small innovative companies that grow jobs.

Even by their own measurement systems, European unemployment rates are unsettling: Belgium 13%, France 10%, the Netherlands 15%, Italy 13%, Spain 19%, and the United Kingdom 13%. These figures, though, mask massive social welfare programs that we do not support, and that absorb people from the ranks of the unemployed. True unemployment (as we would measure it) in the Netherlands, for example, is much closer to 25%. In Belgium, I have been told, it has approached 30%. We fret, as well we should, about a high youth unemployment rate of 13%. In the United Kingdom it was 22%, in France 25%, in Spain 44%.

Why do we start so many more companies? Why are smaller ones more likely to grow and create jobs here? Any explanation begins by noting how differently the playing fields (to use the current idiom) are laid out. The Europeans fund their social programs with high marginal tax rates. Regulations abound. There are endless rules governing a business's right to close facilities, relocate operations, lay people off, or reduce wages. The result is poor growth.

So why, an American might ask, can't the Europeans see the advantages of a more open, freewheeling system like ours and change the rules? The answer is not that they can't do so, but that they don't want to. They share a value system fundamentally different from ours—one that has deep feudal roots and that favors social protection and minimum living standards over allover aggressive growth and the possibility of inequality. They view our poor and ill-housed and badly cared for as an unacceptable systemic weakness, and more than ample reason for rejecting our approach.

We revere the entrepreneur in this country. No matter how bad those speeches are on the Fourth of July, for us the entrepreneur really *is* a symbol of innovation, imagination, freedom, and courage. Europeans, though, view entrepreneurship as a practice of the lower classes. It is not an accident that only 1.7% of the graduates from Dutch universities go to work for a small or midsize company—it is simply "not appropriate" for them to do so. Whatever the differences, a characteristic we share with the Europeans is a high level of innovation and inventiveness. Of all Nobel Prizes awarded in science and medicine since 1950, for example, the United States accounts for 53%, Europe 39%, and the rest of the world only 8%. We are alone, however, in that we dream things up *and* we do a good job of bringing them to market. On the following page, figure 3 summarizes our uniqueness when degree of entrepreneurship and sources of innovation are considered jointly.

What about the rest of the world? We now function in a world economy that makes physical proximity to Europe largely irrelevant. We are concerned as much

The day finally comes when he doesn't even know the way home.

Alzheimer's Disease is a progressive illness that steals your memory, your mind, your self-awareness and eventually, your life. It's a tragic *long goodbye* for 1 out of 3 American families. It's the 4th leading cause of death among adults. And its shadow misses no one. Nearly $50 billion is spent annually on caring for Alzheimer sufferers and, as our society ages, this disease could easily ravage the nation's economy.

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with Japan and Korea as we are with Germany and Spain.

We have much less data about the rest of the world, but that which we do have suggests that the rest of the world, at least

The advantage: Americans dream things up and bring them to market.

statistically, is more like us. The Japanese now derive nearly all of their new jobs from small and midsize companies (figure 4). My Japanese friends assert that the Koreans are much more like us than like them—although no one has any facts to support or refute the assertion. A survey of 4,000 small-business owners in 10 countries revealed, though, that Third World entrepreneurs are more aggressive even than we. The percentage of small-business owners planning to increase future employment is 77% in the Third World. In the United States, it's 67%, and in other developed nations, 57%. It would seem that we are not alone in our reliance on small growing firms to create jobs, and that Europe is an exception rather than the world norm.

Taken in total, what does all this mean? If our business climate is special, what are its benefits? What are its costs?

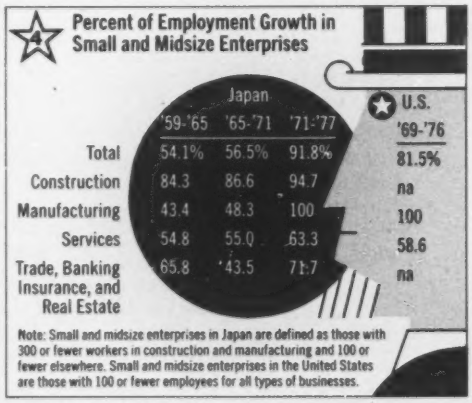
First, there is no more fertile soil in the world for starting a business. Nowhere is the access to innovation more closely aligned with a culture that supports people who want to grab for the ring. We tolerate, and even applaud, the sort of people who name computers after fruit and software after flowers. Those of you considering a move out on your own, or those of you already there, cannot complain that we have an inferior climate in which to work.

But the climate is far from perfect. What may be Mecca for the entrepreneur can be a nightmare for the 15% of our work force with no health insurance, or for any of the 10 million Americans who involuntarily lose their jobs each year, or for the roughly 10 million more each year who must change careers to remain viable in the work force. Our yeastiness is costly. Turbulence exacts a price that Europeans have already decided they are unwilling to pay. And here the price is being paid by a growing number of Americans who are afraid and want protection.

We will have two options for dealing with their fear: 1) slow our system down, or 2) be more creative about coping with turbulence and job mobility. To slow the system down, of course, would be to give up the culture that has created almost 10 million jobs already in this decade and that has consistently produced one of the lowest unemployment rates in the world.

A far more American solution would be to come up with our own special way of handling mobility. We need to help people learn new skills. We need to make it easier (and less threatening) for people to move from one place to another and from one company to another. In short, we need to be as inventive about coping with change as we have been in creating it. The exact mechanisms by which we can do this merit discussion in their own right—and I will return to this topic in a future column.

The important point now, as we celebrate Independence Day, 1987, is that the ideals we fought for so many years ago have yielded a unique economic climate that offers large measures of opportunity and that now poses great threats to many of the people who labor to make it work. Because we are unique, we can't draw



Patterns of job creation in the Pacific have become more like those in the United States.

heavily upon the experiences of others for our solutions—we must create our own. That, in my opinion, is the greatest challenge we'll face over the next 20 to 30 years. □

David L. Birch is president of Cognetics Inc. and director of MIT's Program on Neighborhood and Regional Change.

SELLING TO THE NEW AMERICA

A new wave of immigration is changing the complexion of the American consumer market, turning 'minority' markets into 'majority' ones

BY JOEL KOTKIN

NINETEEN YEARS AGO, MARK ROTH left his job as manager of the food division of a chain of discount stores to take over a dying food market in a working-class section of Los Angeles. Within a week, he had doubled sales at the store, which now serves as the base for a specialty-food business with customers throughout the Southwest.

In 1981, orthodontist Ron Greenspan assumed ownership of a lackluster Volkswagen dealership on San Francisco's "auto row." With a radical change in marketing strategies, he transformed it into the second largest dealership in America.

Harriet Nickolaus, a mother of three from Greenwich, Conn., had virtually no marketing experience when she started peddling her homemade Muscle Medic ointment. Yet with a healthy advertising budget and a change in market focus, she increased her sales last year tenfold and opened up important new export markets.

These three entrepreneurs have two things in common. They are all white, native-born Americans of European descent. And they all have positioned their businesses to ride a wave of recent immigration that is radically changing the complexion of the American consumer marketplace.

Forget seniors. Forget yuppies. Forget female professionals. For sheer numbers and purchasing power, it is immigrants, most of them now from Asia and Latin America, who represent the fastest-growing domestic markets. While Asians and Hispanics were only a few drops in the national melting pot just 20 years ago, they now account for nearly 10% of the American population. And at some magic moment in the next century, they and their offspring—together with America's black population—will constitute an absolute majority of American consumers (see charts).

You don't need a futurist's crystal ball to catch a glimpse of the New America. In New York City, Hispanics are about to become the largest minority group, surpassing blacks, while in cities such as Miami, San Antonio, and El Paso, they already constitute an absolute majority of the population. San Francisco's Asians, about 15% of the population in 1970, already outnumber the local Anglo population by some estimates. And Los Angeles, once jokingly dubbed "the largest city in Iowa" because of its ethnic homogeneity, now boasts a hodgepodge of ethnic and racial minorities who together easily outnumber its residents of European descent.

These new demographic trends represent just the latest chapter in what sociologist Nathan Glazer calls the "permanently unfinished story" of America, a nation that continues to take in more immigrants each year than all the rest of the countries of the world combined. Immigration has always been the source of the remarkable self-renewing power of the American economy—the source of new people, new ideas, new products, and new markets. Similarly, it has always been a source of social unrest and political discord. For U.S. business, that presents both challenge and opportunity.

The challenge is to resist the temptation to write off each wave of new consumers as a fringe or niche market, insignificant and impecunious. Such nativist insularity is nothing new—the economic history of the nineteenth century is littered with now-defunct businesses that clung bitterly to their familiar customs and customers rather than adapt to the waves of Italians, Germans, and Russians who swelled the populations of the great cities of the East and Midwest. Today the Sunbelt cities of the South and West are favored ports of entry for the American dream. And it is no coincidence that these are the cities enjoying the highest rates of growth and newfound wealth.

To those who embrace the New America comes a rare business opportunity—the opportunity to sell into rapidly growing, untapped markets largely free from competition. Although a handful of companies such as Anheuser-Busch, Coca-Cola, Kraft, and Campbell Soup have made special efforts to sell to the New America, big business still largely ignores it. By and large, these are still local and regional markets, and as Mark Roth, Ron Greenspan, and Harriet Nickolaus all happily discovered, they are markets just craving to be served.

"It's a whole new ball game out there," states Ed Escobedo, a Los Angeles consultant who advises businesses on marketing to Hispanics. "People have to start realizing that these new immigrants have a lot of buying power. Instead of thinking of them as undocumented aliens, maybe it's time to start thinking of them as undocumented consumers."

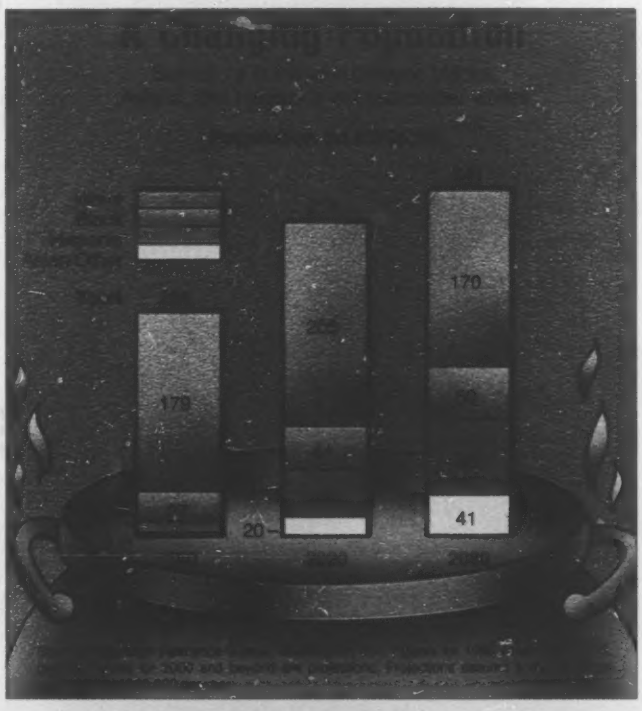
The New America arrived in the Los Angeles suburb of El Monte in the late 1960s. Like many communities in the San Gabriel Valley east of downtown, El Monte was changing rapidly from a predominantly white community to one that was predominantly Hispanic. To the owner of the local Mars Market, it was a transformation he wanted no part of.

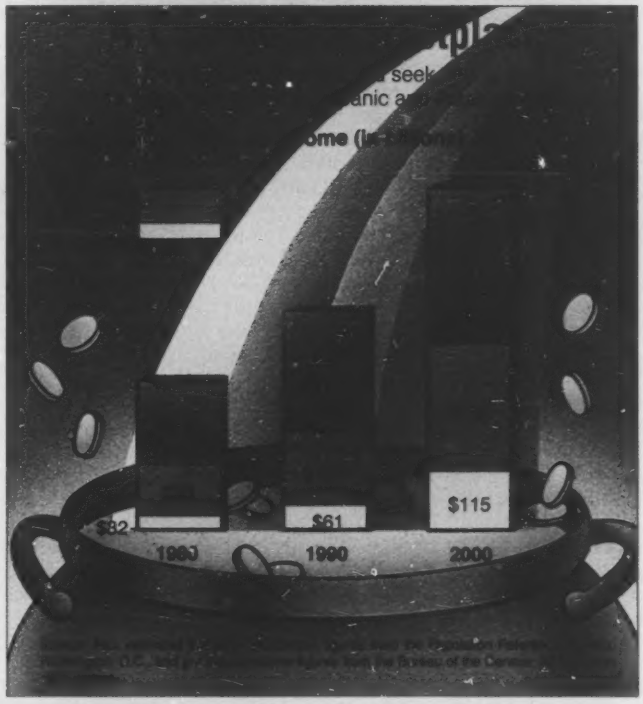
"The guy simply wanted no Mexican trade," recalls Mark Roth, who purchased the failing business in 1969 for $72,000. "He didn't carry the products they wanted or the cuts of meat they could afford. He just wanted to cater to the so-called elite of El Monte. And he was starving to death."

But where the old owner saw a mere rabble, Mark Roth spotted opportunity. Back in his native Belfield, N. Dak., Roth had watched his father build the family grocery store by catering to the community of Ukranian refugees who had settled there in the early 1920s following the Russian Revolution. The majority population in Belfield—German, Dutch, and Scandinavian in origin—generally looked down on the Ukranians and kept them at a distance. The South Side Mercantile Co. was one of the few places where the immigrants were not only welcome, but courted.

Working with wholesalers in Minneapolis, Adam Roth took pains to import the foodstuffs traditional to eastern European cuisine. And when products like kielbasa, the Polish-style sausage, were unavailable, he made them himself. If harvests were lean, Roth would extend credit to the immigrants as best he could. He even taught himself Ukranian—and in the process, taught his son a valuable lesson about markets and marketing.

"My father always said that the new arrival was the best customer," the son remembers. "They are settling down, so they need pots and pans and staples. And they are people on the way up. The Ukranians dominate the whole area back there now."





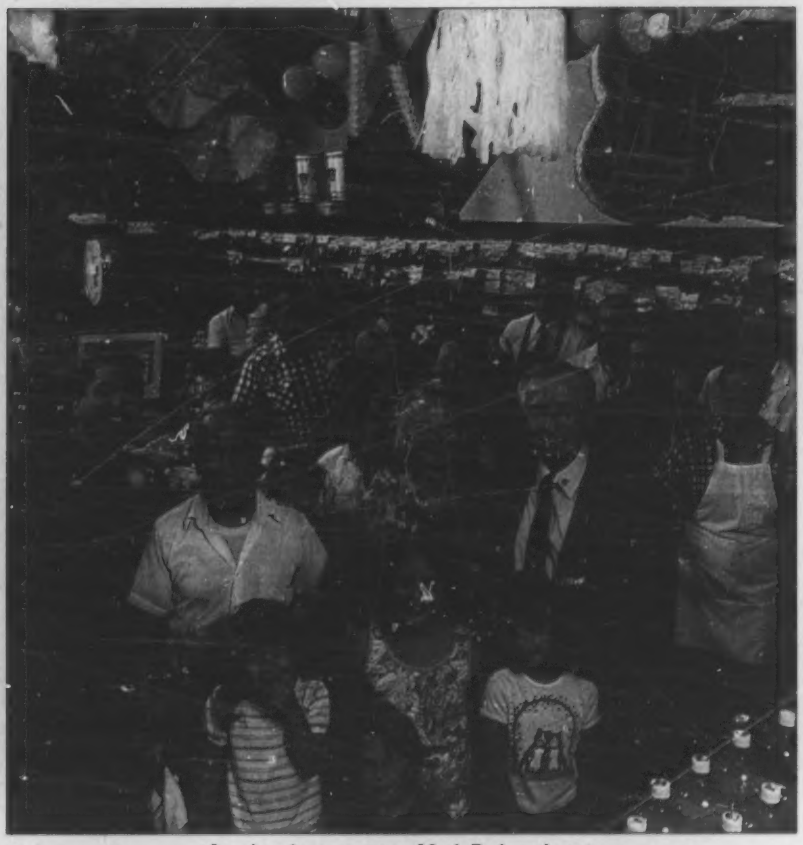
Mark Roth sees in today's Mexican immigrants grocery customers every bit as ideal as the Ukranians of the '20s. They represent a growing market, both in terms of numbers and affluence—Los Angeles Hispanics today constitute a consumer market roughly the size of metropolitan St. Louis. And they spend more on food than Anglos—$20 more per week than other shoppers, according to a recent supermarket study.

To appeal to this market, Roth started by hiring local Spanish-speaking employees, both as a way to facilitate communication with non-English-speaking customers and to tie the market to the community. Today, about two-thirds of the employees at Mars Market are Spanish speaking. And the community ties are more than simply commercial: a former box boy once counted relations to 52 different families in the area.

The focus on family has been the key to Roth's marketing efforts. Because Hispanics spend relatively more of their free time with their extended families, shopping is often a group affair, not a lonesome chore. From the start Roth hoped to turn that cultural reality to his advantage. On the first weekend after taking over the stores, he brought in Ray Walston, star of the popular TV show "My Favorite Martian," as a celebrity draw. A Mexican mariachi band provided music, and there were balloons and prizes for the kids. Some of the Anglo customers were bemused, others offended. But when the week was over, Mars Market's sales had doubled.

It is not surprising that such fiestas are now regular-

CHARTS BY WARREN ISENSEE



Los Angeles-area grocer Mark Roth and crew
Sales doubled once products and marketing were targeted to neighborhood Hispanics.

ly featured at Roth's store. And even on weekdays, Mars Market has more of the feel of a Mexican town square than a sterile American supermarket. Aisles are gaily decorated in bright colors, and customers mingle at the complimentary salsa and chips table. Although Roth himself never learned to speak Spanish, he is a friendly and familiar presence with employees and customers.

Product selection, too, is geared toward Hispanics, who now account for nearly three of every four customers. Next to the lettuce and onions in the vegetable section are cactus leaves, hot chilies, and other Mexican ingredients. The meat department has long since stopped pushing high-priced meats, such as porterhouse and London broil, in favor of large displays of the chuck steak and neck bones used in many traditional Mexican dishes.

But perhaps Roth's most clever and important move was to install a *tortilleria*—a bakery for making tortillas—just inside the main entrance to the store. By producing hot, fresh corn tortillas, the staple of the Mexican diet, Roth gave every Mexican family in El Monte a reason to shop in his store. Fresh burritos, tamales, enchiladas, and other Mexican specialties soon followed, and continue to give him an edge even as the large supermarket chains have finally begun to make a push for the Los Angeles Hispanic market.

Although most of the techniques for marketing to Hispanics are fairly obvious, Roth has found that nuances can also be important. Early on, for instance, Roth thought it would be a great idea to print up posters and fliers for the stores in Spanish for his growing clientele of non-English-speaking customers. But to his surprise, this offended not only his Anglo clients, but also many Mexican-Americans who had already been in the United States for a generation and resented being lumped in with the recent arrivals. His solution: print fliers in English, but use large pictures to illustrate the items on sale.

"When we started all this, people asked us, 'Why are you catering to those wetbacks?' " Roth explains, "The payoff is that we have built credibility with these people over all these years. They may not speak the language, but they sure learn fast how to use the currency."

Mark Roth's success in El Monte reflects the more traditional side of marketing to ethnics—selling specialized food and everyday low-cost staples to first- and second-generation Americans right in their neighborhoods. But today's immigrants are not all huddled masses yearning for entry to the middle class. Many of them are already there.

Asian-Americans are perhaps the most populous such group. They are two or three times as likely to hold a college degree as the average American adult. They are also more likely to hold positions as managers, executives, or professionals. And among the Japanese, Chinese, and Filipinos, average family income already exceeds that of whites.

San Francisco has long been the capital of Asian America. During the past 15 years, Asians have more than replaced the whites who fled the city for surrounding suburbs. But the San Francisco Chinese are no longer the poor immigrant FOBs ("fresh off the boat") of the popular imagination, washing dishes in a small Chinese restaurant or stitching garments in a stuffy sweatshop, living in crowded flats on the quaint but squalid streets of Chinatown. Today they constitute a prosperous consumer market, with 41% owning their own houses. When the Brahmins of the city's Nob Hill complain about the Chinese these days, it has nothing to do with poverty, crime, or prostitution. The fear is that the Chinese are "taking over too much" of the city's property and businesses.

For Volkswagen dealer Ron Greenspan, word of this newfound affluence came straight from the horse's mouth, you might say. Greenspan, you see, was an orthodontist who opened a small practice in a comfortable San Francisco neighborhood in 1969. Back then, 70% of his practice was white. A decade later, at least 70% was Asian, mostly Chinese. "I learned fast that these folks had money when they began paying with cash," recalls Greenspan.

Straightening teeth, however, was never Greenspan's great love—cars were. And in 1981, he bought one of San Francisco's two VW dealerships for $250,000. At the time, this was a business going nowhere. The flocks of youthful, white San Franciscans who had bought up "Bugs" by the boatload now were opting for more expensive German imports or cheaper cars from Japan. Once one of the strongest VW operations, the San Francisco outlet had dropped near the bottom of the list of the country's 900 dealerships.

It was natural that Greenspan would find former patients among his new customers. What was not so predictable is that this Jewish dentist from Cleveland could build a booming trade selling German cars to the Chinese. That required a good deal of ingenuity.

Greenspan started out by placing ads in such outlets as the *Asian Yellow Pages*, a popular Chinese-language advertising medium. He mailed fliers into middle-class Asian neighborhoods such as the Richmond section of San Francisco, and the nearby suburb of Daly City, with its large concentration of Filipinos. Taking his cue from his salesman father, Nat, who had encouraged

PHOTOGRAPH BY BLAKE LITTLE

him as a youth to sell everything from shoe polish to toilet deodorizers door-to-door, Greenspan sent his salesmen out into the streets of the city to visit shops and hangouts frequented by the Asian bourgeoisie.

Bringing Asian customers into the showroom, however, was the easy part. Persuading them to buy was where the real challenge began. And it was here that his experience in the dentist's office began to pay off.

"The problem is that a lot of people don't really see Asians as people," Greenspan explains. "There's a great mystique about the Asian, and how hard he is to sell. Salespeople tend to be intimidated by them."

Most intimidating was the Chinese penchant for tough bargaining over price. To the Chinese, this is simply a normal part of the business culture. But to someone more accustomed to American business—even a car salesman—the exchange can seem downright cutthroat.

"When the guy comes in here and makes a ridiculous offer on a car, you don't get mad," Greenspan instructed his salesmen. "You come back with something equally ridiculous and have a good laugh. Then start your real negotiation."

Another facet of Greenspan's "Asian Sensitivity Training" focused on dealings with the family. The Chinese prefer shopping in large family groups, with buying decisions usually made by the family elders. Greenspan explained to his salesmen that while the car might be for a teenage schoolgirl or a middle-aged engineer, the successful sales pitch may have to be directed to the grandfather or elderly uncle. To help things along, 75-year-old Nat Greenspan is often on hand to make the generational connection.

"I introduce the father to my father, and there's an immediate bond there," Greenspan explains.

You may think all this is fairly subtle stuff, but Greenspan's Chinese customers apparently appreciate the considerations. Largely as a result of sales to Asian-Americans, Greenspan has now boosted car sales from only 20 a month to more than 100. In 1984 and 1985, Ron Greenspan's dealership ranked second in the nation in terms of VW sales. And in 1986, it was sixth.

Three thousand miles away in Miami, Toyota dealer Richard Goldberg has had a similar success. These days, much of Miami's white business establishment has turned its back on the city's new Hispanic majority—a popular bumper sticker of the early 1980s asked bitterly, "Will the last American to leave the city please lower the flag?" But Goldberg didn't buy the conventional Anglo version of what makes for a good American, or a good customer. Growing up in Newark, N.J., Goldberg counted blacks, Italians, and Jews among his friends. So why, he asked himself, couldn't his customers be Cuban or Colombian or Salvadoran?

San Francisco car dealer Ron Greenspan and customers
Can a Jewish dentist find happiness selling German cars to the Chinese? You bet.

Goldberg, in fact, was so convinced of the future of Miami's Cuban market that he upped and moved his dealership from the city's north side, with its concentration of black and Jewish populations, into a heavily Hispanic neighborhood just east of Little Havana. If otner car dealers wanted to continue to compete for the 20% of the city that was still Anglo, so much the better, he told himself.

"We came here because it was a growing area, not because it was Hispanic," Goldberg explains matter-of-factly. "We wanted to go where there would be the most people with the bucks to buy Toyotas."

In the five years since the move, Goldberg has used most of the familiar techniques for marketing to minority consumers. Nearly 90% of Expressway Toyota's 150 employees, including much of his top sales staff, are Hispanic, and the predominant language on the showroom floor is Spanish. And on weekends, he has used every family draw he could think of—Latin singers, clowns, acrobats, even an elephant.

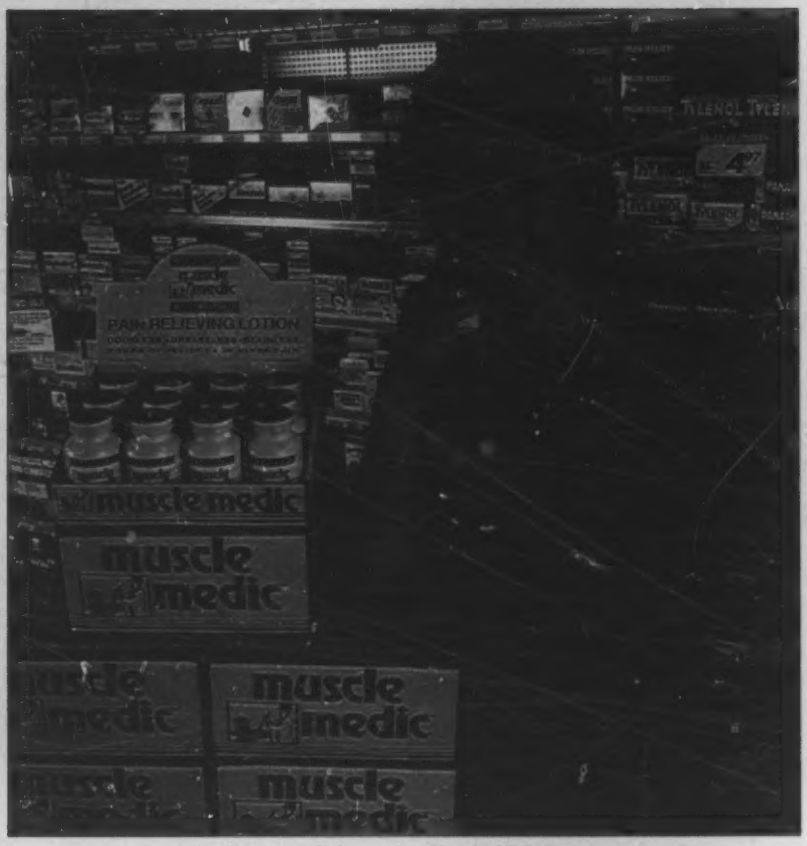
But perhaps the most important changes were in Goldberg himself. When he made the move, he looked on Hispanics as business prospects. Today, he thinks of himself and his business as part of the Hispanic community. Over the past few years, Expressway Toyota has poured thousands of dollars into Latin community events, including beauty pageants and the annual *Calle Ocho* festival in Little Havana. Goldberg also sponsors youth baseball and soccer teams. And if, as the French philosopher once said, you are what you eat—well, you might as well call him Ricardo Goldberg.

"Give me a Cuban holiday and we'll sponsor it," jokes Goldberg between gulps of *sopon*, a spicy Cuban fish soup. "I really like this culture. And I think they can tell that."

In the last analysis, that may be what marketing to minorities is really about. Be it the Mexicans of El Monte or the Chinese of San Francisco or the Cubans of Little Havana, what "minority" consumers respond to most eagerly is a level of respect that, too often, is missing in their transactions with mainstream businesses. Targeted advertising, bilingual salespeople, and special events all help to break down barriers. But their long-term value is to confirm for minorities that they are genuinely welcome and valued not just as consumers, but as people—and as Americans.

"If the Hispanic respects you and you respect him, I think he's a better customer than the Anglo," says Goldberg, whose business from repeat customers is now twice what it was in North Miami. "With the

PHOTOGRAPH BY BLAKE LITTLE



Patent-medicine maker Harriet Nickolaus
Success in Miami's Latin market has now opened the doors to mainstream Anglo markets.

Anglo, you're always bargaining. They are interested in only one thing—the price. They'll go across the state to save 50 bucks. But with Hispanics, if you earn credibility, that's it. Sure, we sell the car as cheap as anyone. But what makes it work is that we've created the image that if you're Hispanic, you buy your Toyotas here."

Today, Goldberg lays claim to more than half of Toyota's Hispanic market in Miami—not bad for a city where Hispanics are an undisputed majority. As a result, sales have climbed 400% in six years, to $75 million last year. Once only 350th in sales among the 1,100 Toyota dealers nationwide, Expressway Toyota so far this year is ranked number 22.

It's true what they say: if you pitch your company openly to minority consumers, some of your traditional Anglo customers may go somewhere else. The vaccine for bigotry hasn't yet been discovered. But it is also true that minority marketing can have just the opposite effect, providing an effective and inexpensive access to a wider, mainstream marketplace.

That's the way it has worked out for Harriet Nickolaus. A dance teacher from Greenwich, Conn., Nickolaus backed into business after concocting a homemade muscle pain-relieving lotion for her choreographer husband. Later, several friends tried and liked her mixture of water, herbs, and spices, and it was only then that she began to think of selling it to the public.

Her idea was to position it as a "natural Ben-Gay," and the logical market, she figured, was New York City health-food stores. But for two years Muscle Medic languished on the shelves, in need of the kind of promotion Nickolaus could not afford. In 1985, sales barely reached $48,000.

Then, on the strength of the response she'd received from a few Haitian friends, she placed Muscle Medic in some local *bodegas*, small markets that cater to Hispanics. In contrast to the health-food stores, the *bodegas* seemed able to move the product among Hispanics. When she learned that Hispanics have traditionally been enthusiastic customers for a variety of home remedies, she decided to abandon the health-food stores and New York and to move to Miami.

"I realized that Miami was a large Latin market with a lot of local media," she explained over drinks at The Alexander Hotel in Miami Beach. "It was a market we could really reach." Gambling with a $200,000 advertising budget, she invested most of it in Spanish-language television, appearing herself before the camera to explain her product. Her ads were every bit as homemade as her product—she had taught herself just enough Spanish to make the spots. But however awkward her presentation, Hispanic viewers seemed to respond favorably to an Anglo woman attempting to sell to them *cara a cara*.

"When I got on and said in Spanish, 'You have nothing to lose but the pain,' it really caught on," said Nickolaus. "I use a very personal approach, like Frank Perdue and his chickens. I go on and say that I made this for them. They seemed to appreciate that an Anglo woman would do that—and say so in Spanish."

Sophisticated marketeers might sneer at Nickolaus's analysis, but not at the growth in her sales figures. By the summer of 1986, she was selling more product in a month than she had sold in a year through New York City health-food stores. At the same time, visitors from Latin America—who number in the millions each year—started picking up the product, and orders soon began arriving from such places as Guatemala, Panama, and Costa Rica.

The response from the Hispanic market was encouraging. But more encouraging still were the calls that began to come in from the large Anglo-owned stores, whose managers had seen the ads and heard of the customer response. Today Nickolaus counts among her customers 150 Anglo stores, including Eckerd Drug Stores, a major chain in the Southeast, which now carries Muscle Medic at all of its Florida stores, even those located outside Hispanic neighborhoods.

"I never expected it, but our success with the Latins in Miami opened everything up for us," says Nickolaus, who now reports sales of $400,000. "It was the Latins who led us to the Anglo market."

Is this simply a fluke, an isolated case of good luck? Not to hear it from the business owners themselves.

Take the case of grocer Mark Roth in El Monte, where our story began. Although Roth's Mars Market continues to be profitable, he finds these days that he is facing increasing competition from large supermarket chains that have begun to employ some of the same strategies he has long used to attract Hispanic shoppers. At certain key locations, these chains are now stocking large quantities of Mexican-style meats and produce. Some have stepped up the hiring of Spanish-speaking employees. A few have even installed their own *tortillerias*.

In the long run, Roth figures he cannot prevail against the giants in an industry that measures profit margins in tenths of a percent. So he has found a way to turn the trend to his advantage. Instead of remaining a competitor to the chains, Roth has decided to become their supplier.

It all started several years ago, when Roth, celebrating the opening of his new *tortilleria*, asked one of his employees to make a little salsa to go with the corn chips.

PHOTOGRAPH BY BED MORGAN

THE LESSON OF MONTEREY PARK

The white merchants of this Los Angeles suburb decided they didn't want the Chinese trade. Now, many of them are out of business

Only a decade ago, Monterey Park was a sleepy, all-white suburb on the eastern fringes of Los Angeles. Each morning businessmen gathered, as in a scene from a Norman Rockwell painting, at a coffee shop to discuss local goings-on. And come election time, it was the same group who often dictated who would serve as mayor and city councillor, and who would not.

Since those days, Monterey Park has taken off in ways that would make most merchants envious. Spurred by an influx of well-educated, affluent new residents, there are today scores of new office buildings, shops, and restaurants in the downtown districts and in new outlying shopping centers. Commercial space that went for $5 a square foot back in the early 1970s now goes for $45 and more. Deposits in local commercial banks jumped $400 million.

Yet if prosperity has come to Monterey Park, few of the merchants who once gathered at the coffee shop are still around to enjoy it. For rather than welcoming the Chinese and Southeast Asian families who now comprise more than 40% of the city's population, many of the city's white businesspeople have spent the better part of a decade fighting them. Some have sold out grudgingly—and greedily—to Chinese interests and moved away. Others tried to hold on to a shrinking base of white customers before closing down or going bankrupt. And those still left behind spend much of their energy still trying to push back the Chinese tide, pressing for restrictions on further development and a ban on signs written in Chinese characters.

"You have a group of suburban, uneducated people out here who would like to turn the clock back to 1950 and hang a Chinese from every lamppost," explains George Ricci, past president of the local Chamber of Commerce. "These people didn't do anything to market to the Chinese. They left themselves open to be replaced."

BLAKE LITTLE

Electrical contractor Kelly Sands (center) **Thanks to the Chinese, sales are up 1,100%.**

Not everyone sees it quite that way. Marie Purvis, one of Ricci's predecessors at the chamber, runs a small art gallery and framing business and still longs for the good old days when "American" rather than Chinese restaurants lined Garvey Avenue. In fact, Purvis insists there is a Chinese conspiracy brewing to drive the white businesses out of town.

"It's deliberate. They have a plan, not that I know what it is . . . " says Purvis, who moved to Monterey Park from East Boston 35 years ago. "I am not used to being prejudiced against. We've always been discriminating against the newcomers, but no one has ever turned the tables on us before."

But if there is a conspiracy, Kelly Sands has not found it. Seven years ago, Sands took over Bezaire Electric Co., his family's contracting business. Sales seemed to have peaked at $300,000, and virtually all of the developers and major contractors who had worked with Sands's father and grandfather had either gone out of business or left town.

But Sands, a college dropout in his early twenties, noticed the rising number of Chinese developers around town. And rather than disdain these often well-heeled new players, he courted them. He hired a staff of young, aggressive Chinese managers to help communicate with his new market. He also adjusted his schedule to accommodate the demands of the hardworking Chinese entrepreneurs, who often held business meetings late into the night.

As a result of his efforts, Sands is one of the few white entrepreneurs to cash in on Monterey Park's demographic boom. He estimates that Bezaire gets at least half of the area's Chinese-related electrical contracts, which have boosted sales to $3.7 million. Nearly 80% of his customers are Chinese. His biggest project these days: a Buddhist temple going up several miles east of town.

"I think it's all in the mind-set," says Sands. "Either you adjust your mind-set to reality or you'd better get out of the way."

The response of the customers was so enthusiastic that he started packaging some for his Mexican-food deli counter. Later, he happened to bring some of the salsa to a meeting of area independent grocers. The grocers ate it all—and left him with orders for their stores.

Soon the workers in the backroom of Mars Market were churning out not only the original hot sauce, but other Mexican specialties such as guacamole and green chile sauce. Some of it he sold under his own El Burrito brand name, the rest he provided on a custom-label basis. Now, with sales last year close to $1 million and doubling annually, Roth is already making more money on his packaged foods than he is from the market. He has moved much of his production to a separate manufacturing plant several miles away. And he counts among his customers supermarkets as far away as Montreal and as close as El Monte.

All this started out of a calculated interest Roth and other grocers had in serving a growing Hispanic market. But it has now gone far beyond that. For to Roth's surprise, the largest orders for the packaged foods are not coming from stores in predominantly Hispanic sections of L.A. or San Antonio—they're coming from Anglo merchants serving mostly upscale Anglo shoppers. Roth estimates that Anglos now account for 60% of the market for his packaged Mexican foods. Setting out to sell to Hispanics, he has found himself on the forefront of the latest *American* food craze.

It is, of course, a familiar story. It is the story of pizza and pita pouches, of the bagel and the croissant, of sushi and chop suey. It is a story of minorities that become majorities and majorities, minorities—of Ukranians and Mexicans and Cantonese and Cubans who constantly define and redefine what it is to be American. *E pluribus unum*—from the many, one—is how it reads on the seal of the United States. For 200 years it has been the motto of American democracy. Now, it is a political creed that translates nicely into a marketing strategy for American business. □

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